

Amendments to the specification

Please amend page 2, lines 3-21 of the application as follows:

Anyone that prepares their own tax returns can appreciate the difficulty in determining the gain or loss associated with, for a simple example, a mutual fund that has accrued reinvested dividends over a period of time. In such a reinvestment situation, each time the mutual fund declares a dividend, additional shares in the fund are purchased using the dividend amount and these additional shares are added to the investor's holdings. Typically, the price at which the additional shares are purchased using the dividends will differ from the purchase price of the original shares. When the ~~investor's~~ investor later sells his/her holdings, the purchase price of different groups of shares held by the investor will therefore typically be different, as such groups of shares were purchased at different times. In order to properly calculate the gain or loss associated with the transaction, an investor must typically review all past statements associated with the mutual fund, associate the original purchase price with the originally purchased shares, a second purchase price with the shares resulting from the first dividend reinvestment, a third purchase price with the shares resulting from the next dividend reinvestment, and so on. Then, for each group of shares with a given purchase price, the investor must calculate the gain/loss for each group of shares. Thereafter, the individual must aggregate the gain/loss amounts for all such groups to determine the total gain/loss for the investment. This is a tedious and time-consuming process that includes multiple possibilities for accounting errors that can result in an incorrect determination of the gain/loss associated with the investment. Other capital events, such as[[,]] stock-splits, spin-offs and mergers, present similar difficulties.

Please amend page 2, line 22 – page 3, line 2 of the application as follows:

It is an object of the present invention to provide a system and method that ameliorates the above difficulties by automatically adjusting the cost basis associated with the purchase of an

investment so as to compensate for capital events such as dividend reinvestments, stock-splits, spin-offs and mergers, that occur while such investment instruments ~~is~~ are held by an individual.

Please amend page 3, line 6 – page 4, line 8 of the application as follows:

The present invention is directed to a computer-implemented method and apparatus for determining a cost basis associated with an investment. The investment may be in the form of a security or securities with which capital events can be associated. The term "security" is hereinafter used to refer to all investments having capital events, and include investments traded in individual units such as shares as well as investments identified based on a face amount, purchase amount, or other method for defining the value of the investment. Information identifying an issuer associated with the security, parameters such as, but not limited to, a purchase date of the security, a number of shares of the security purchased on the purchase date, and a sale date of the security may be entered into a computer system. A purchase price for the security on the purchase date may be retrieved from a database coupled to the computer system or from a user of the computer system. Alternatively, a purchase price for the security corresponding to the amount paid by the purchaser ~~or~~ may be entered. Next, in response to the information identifying the issuer, the purchase date and the sale date, a list of capital events that occurred in connection with the security between the purchase date and the sale date may be retrieved from the database. The list of capital events includes at least one event selected from the group consisting of a distribution reinvestment event, a spin-off event, a merger event and a split event. The database stores past price information and capital events for a plurality of different ~~of~~ securities associated with different issuers. The plurality of different securities for which information is stored in the database may include, for example, common stocks, mutual funds, options warrants, and closed end bond funds. Shares held adjustment ratios related to one or more events may also be retrieved from the database. The term "Shares Held Adjustment Ratio" is used to refer to an investment quantity factor reflecting a quantitative change in the holding of an investor, and is not limited to investments traded as shares, but includes all investments having some measure of quantity. Each of the shares held adjustment ratios may

correspond to a capital event that occurred in connection with a security between the purchase date and the sale date. A current cost basis associated with the security may then be determined.

Please amend page 6, lines 8-16 of the application as follows:

In accordance with a still further aspect, the database may store a list of the high/low closing and opening prices of all equity and index options that once traded on an exchange. If the investor is not aware of the exact date of when an option was either purchased or sold, the system may search for an average. The cost basis of ~~an~~ the option in connection with/without its underlining security may be determined based on whether the option was exercised, expired, or the position was closed in the market. If a purchased call or put were sold on the exchange prior to expiration, the system could automatically determine the difference between the cost and the amount received as either a long-term or short-term capital gain or loss, depending on the holding period.

Please amend page 9, line 15 – page 10, line 8 of the application as follows:

In a preferred embodiment, after being provided with a company symbol or CUSIP number associated with a given investment (if not known, a directory of companies and their corresponding symbols are preferably automatically provided), the date of purchase or acquisition (if the precise date is not known, an average price for any given month or year can be provided), and the original number of shares purchased or acquired (such information is preferably entered using the screen shown in Figure 1), the present invention automatically determines an adjusted cost basis per share and this information, together with ~~any~~ an adjusted number of shares are provided to the user via a separate screen such as that shown in Figure 13. Alternatively, a purchase price for a security may be provided by a user, especially where the purchase price of the security may vary through a purchase date. In order to determine the gain/loss associated with the transaction, the user can simply subtract the sale price of the shares associated with the investment (common to all shares sold) from the adjusted cost basis output of the present invention (this figure is also common to all shares associated with the transaction) to

determine the gain/loss. On the cost basis screen shown in Figure 1, the closing price on the date of purchase is made available to the user as a beginning reference point if needed, i.e., if the user does not have such information, the information may be automatically retrieved from a database, such as that shown in Figure 2.

Please amend page 10, lines 9-14 of the application as follows:

The present invention thus uses the information provided/retrieved in connection with the screen shown in Figure 1 to automatically retrieve historical information associated with the security. The system may then locate the closing price on the purchase or acquisition data of the investment and compile forward any and all relative capital changes that would ~~effect~~ affect the basis of the investment. The system may distinguish among various types of capital changes and apply the correct adjustments to the investment's cost basis and number of shares accordingly.

Please amend page 10, line 15 – page 11, line 2 of the application as follows:

Referring now to Figure 2, there is shown an exemplary portion of a database table 200 for storing price information for each of a plurality of different securities over a given period of time in accordance with a preferred embodiment of the present invention. Database table 200 stores historical price information for each of a plurality of securities. For each date 202 covered by the database table 200, the database may store a high price 206, a low price 208, an open price 210 and a close price 212 for securities referenced in the database. Securities having a single price per day, such as mutual funds having a Net Asset Value at close of trading, may be reported by only the Net Asset Value, or by ~~a net~~ the Net Asset Value and a Sale Price 214 for the day. It will be understood by those skilled in the art that other database structures could be used for storing the information shown in Figure 2, and that such modifications are within the scope of the present invention.

Please amend page 11, lines 16-21 of the application as follows:

Referring now to Figure 4, there is shown an exemplary portion of a database table 400 for associating investment names. The table may contain fields identifying the name of an investment 402, a symbol 404 associated with the investment 402, a CUSIP number 406 associated with the investment 402, a begin 408 and end 410 date for where such company first and last traded and a field that stores a value correlating an investment when said investment is associated with multiple issuers, symbols, or CUSIP numbers.

Please amend page 14, lines 8-11 of the application as follows:

In this example, the shares held adjustment ratio stored in the database for this capital event would therefore equal 3.0. A basis allocation ratio would simply be $1/(n[]ABC)$, or 0.333. Applying this allocation ratio to the prior basis per share would thus distribute one third of the prior basis per share to each share held after the split.

Please amend page 14, line 14 – page 15, line 3 of the application as follows:

The ABC company has outstanding Common Stock. On 07/30/99, the ABC Company merges with the XYZ Company on a 2 for 1 ratio. As a result of this merger, for every 2 shares of ABC Common Stock held by an investor prior to the merger, the investor exchanges such shares for 1 share of Common Stock of the merged ABC/XYZ Company. Thus, an investor that holds 200 shares of the ABC Company prior to the merger will exchange such shares for 100 shares of the merged ABC/XYZ Company and, following the merger, the investor will hold only 100 shares of the merged ABC/XYZ Company (and none of his/her original 200 shares of ABC Common Stock). The shares held adjustment ratio stored in the database for this capital event is a number of shares of a security associated with the merged entity (e.g., the ABC/XYZ Company) issued for each share associated with an issuer (e.g., the ABC Company) that merged into the merged entity. In this example, the shares held adjustment ratio stored in the database for this capital event would therefore equal 0.5. An association between the identity of the ABC shares held before the merger with the XYZ shares post merger would also be created.

Please amend page 18, lines 13-16 of the application as follows:

The investor may use the application and database to determine the accurate cost basis for her ABC stock. The system will automatically deduct the amount of the premium received by the investor ~~to~~ from the security's purchase price. The adjusted cost basis for the ABC stock is then determined to be \$48 per share.

Please amend page 19, lines 8-12 of the application as follows:

The investor may use the application and database to determine the accurate cost basis for his XYZ stock coupled with the covered call option as a combined investment strategy. The system will automatically apply the premium received by the investor and add that amount ~~from~~ to his/her original cost basis of \$5,000. The adjusted cost basis for XYZ is then determined to be \$5,300 or \$26.50 per share.

Please amend page 19, lines 13-18 of the application as follows:

The system will also automatically determine an accurate cost basis for the other side of the transaction as well. For example, the investor who brought the 200 shares of the XYZ stock at the strike price of \$35 per share can also retrieve an adjusted ~~cost~~ cost basis using the database system. The application can retrieve an accurate cost basis by applying the premium paid for the call option of \$300 to the amount paid for the XYZ stock of \$5,000. The system will then determine that the adjusted cost basis for the XYZ stock is also \$5,300 or \$26.50 per share.

Please amend page 21, lines 1-16 of the application as follows:

Referring now to Figure 5A and Figure 5B, there is a flow diagram showing the overall operation of a software system 500 for determining a cost basis associated with a plurality of shares of a security, in accordance with a preferred embodiment of the present invention. In step ~~540~~ 502, information identifying an issuer associated with the security, a purchase date of the

security, a number of shares of the security purchased on the purchase date, and a sale date of the security is entered using, for example, the interface shown in Figure 1. In step ~~510~~ 502, a purchase price per share of the security on the purchase date is also either retrieved from database table 200 or from the user if the user has such information available. Next, in step ~~520~~ 504, in response to the information identifying the issuer, the purchase date and the sale date (input in step ~~510~~ 502), a list of capital events that occurred in connection with the security between the purchase date and the sale date is retrieved from database table 300. One or more shares held adjustment ratios are also retrieved from the database in step ~~520~~ 504. Each of the shares held adjustment ratios corresponds to one of the capital events that occurred in connection with the security between the purchase date and the sale date. In steps ~~530-560~~ 506-520, a current cost basis associated with the security may then be determined in accordance with the one or more shares held adjustment ratios and the purchase price per share of the security.

Please amend page 21, line 17 – page 22, line 5 of the application as follows:

In a preferred embodiment, a current cost basis associated with the security is preferably determined (in steps ~~530-560~~ 506-520) initially by applying a first shares held adjustment ratio to the purchase of the security. If multiple shares held ~~basis~~ adjustment ratios were retrieved from the database in step ~~420~~ 504, then an intermediate cost basis may be assigned to be equal to the current cost basis. For each further shares held adjustment ratio retrieved from the database in step ~~420~~ 504, the current cost basis is then adjusted again by applying a further shares held adjustment ratio to the intermediate cost basis. This process is then repeated until each further shares held adjustment ratio retrieved from the database has been used to adjust the current cost basis. In this preferred embodiment, each further shares held cost adjustment ratio retrieved from the database has an event date associated therewith and is applied to the current cost basis in a chronological order such that the cost adjustment ratio associated with a latest event date is applied in the final iteration of the process.

Please amend page 22, line 10 – page 23, line 13 of the application as follows:

Thus, for example, if for a given investment four capital events occurred between a purchase date of 01/01/99 and a sale date of 12/31/99, i.e., a reinvested dividend on 01/31/99, a merger on 02/28/99, a stock-split on 03/31/99 and a spin-off on 04/30/99, then in step ~~520~~ 504, a list of four capital events would be retrieved from database table 300. In addition, four shares held adjustment ratios (each corresponding to one of the four capital events) would also be retrieved from the database. In the steps that follow, the current cost basis associated with the security would then be determined in accordance with the four shares held adjustment ratios and the purchase price per share of the security. In particular, in this example, the current cost basis associated with the security would initially be adjusted (in step ~~550~~ 520 which is used for processing dividend reinvestments) by applying the first shares held adjustment ratio associated with the first capital event to the purchase price per share of the security. Next, since multiple shares held basis adjustment ratios were retrieved from the database in step ~~520~~ 504, an intermediate cost basis is assigned to be equal to the current cost basis. Thereafter, the current cost basis is adjusted again (this time in step ~~560~~ 524 which is used for processing mergers) by applying the second shares held adjustment ratio associated with the second capital event to the intermediate cost basis. This process is then repeated until each further cost basis adjustment ratio retrieved from the database has been used to adjust the current cost basis. Accordingly, in the given example, the intermediate cost basis is re-assigned to be equal to the current cost basis (as adjusted using the second shares held adjustment ratio), and the current cost basis is adjusted again (this time in step ~~540~~ 516 which is used for processing stock splits) by applying the third shares held basis adjustment ratio associated with the third capital event to the intermediate cost basis. Finally, in the given example, the intermediate cost basis is re-assigned yet again to be equal to the current cost basis (as adjusted using the third shares held adjustment ratio), and the current cost basis is adjusted again (this time in step ~~530~~ 512 which is used for processing spin-offs) by applying the fourth shares held adjustment ratio associated with the fourth capital event to the intermediate cost basis. The current cost basis as adjusted using the fourth shares held adjustment ratio is then preferably output to a user via the screen shown in Figure 10.

Please amend page 26, lines 1-8 of the application as follows:

Referring now to Figure 8, there is shown a flow diagram showing a system for adjusting the cost basis of a security that has undergone a distribution reinvestment event. Figure 8 will be described using the following example: An investor owns 100 shares of Company ~~YB~~ Y stock, and prior to the dividend event, the investor's cost basis for each share was \$5 per share. The investor's total basis for the 100 shares would therefore be \$500. On 09/01/00, Company ~~YB~~ Y declared a dividend of \$0.25 per share through a reinvestment plan, wherein the price per share of the Company Y stock at the time of the reinvestment was \$10 per share. In connection with this example, a shares held adjustment ratio of 1.025 would be stored.

Please amend page 26, lines 9-13 of the application as follows:

In step 802, the system retrieves the shares held adjustment ratio for the distribution event (which may be retrieved from Table 300). ~~from the database table 200 the reinvestment price of the stock (e.g. the Company Y shares, noted as rpY); and retrieves 804 the shares held adjustment ratio for the distribution event (which may be retrieved from Table 300) from the database table 200 the reinvestment price of the stock (e.g. the Company Y shares, noted as rpY).~~ From the shares held adjustment ratio (n_Y) and the reinvestment price (rp_Y), (which may be retrieved from table 200) the distribution per share (d/s) of the Company Y stocks may be determined:

Please amend page 27, lines 6-15 of the application as follows:

Referring now to Figure 9, there is shown a flow diagram showing a system for adjusting the cost basis of a security that has undergone a merger event, in accordance with the present invention. Figure 9 will be described using the following example: An investor owned 100 shares Company ABC, and prior to the merger event, the investor's average cost basis for each share Company A Stock was \$5/share. Company ABC then merged into Company XYZ and every share of Company ABC stock was swapped for 2 shares of Company XYZ stock. The

shares held adjustment ratio stored in the database 300 for this capital event would therefore equal 0.5. In step 906, a new number of shares (of Company B Stock) is determined by applying the shares held adjustment ratio (retrieved 902 from database 300) to the previous number of shares held by the investor.

Please amend page 27, line 20 – page 28, line 2 of the application as follows:

In assessing the effect of the next subsequent capital event on the cost basis of the shares of Company XYZ, the present invention will use the adjusted cost basis yielded by this step 908 as a an intermediate value and then adjust this value to reflect the effect subsequent further capital events. Since the company identifier will no longer exist after the merger, the system will track the basis of the shares by applying events associated with the newly held security.

Please amend page 28, lines 3-8 of the application as follows:

Referring now to Figure 10, there is shown a process for resolving a de-listing event. De-listing events may be stored in Table 300. Once a de-listing event has been noted 1002, the process may search forward 1004 to determine 1006 if the investment has been re-listed. If it is determined 1006 that the investment has been re-listed, the process may return to processing capital events. If it is ~~not~~ determined 1006 that the investment has not been re-listed, the process notifies 1008 the user of the de-listing event, and the basis of the investment at the de-listing date.

Please amend page 28, lines 9-14 of the application as follows:

Referring now to Figure 11, there is ~~sewn~~ shown a process for resolving a worthless security event. Once a worthless security event has been identified[[],] 1102[[],] the process may determine 1104 whether shares in a reformed company were exchanged for the worthless shares. If no shares were exchanged, the user may be informed 1106 of the worthless share event, the

basis of the time of the event, and the date on which it occurred such that an investor can properly record a capital loss associated with the event.

Please amend page 28, lines 15-19 of the application as follows:

If new shares were exchanged, a shares held adjustment ratio (SHARex) can be retrieved 1108, and a new shares held value may be determined 1110. The basis of the new shares held may be determined 1112 from the value of the shares on the exchange date. The new shares may then be associated 1114 with the basis calculation. A capital loss associated with the event can be determined 1116, and reported 1106 to the user.

Please amend page 31, lines 6-13 of the application as follows:

For example, suppose an investor owned 100 shares of ABC Company stock, which cost \$22 per share. The ABC Company issued 10 nontaxable stock rights (0.1 stock right per share) that would allow the investor to buy 10 more shares at \$26 per share. At the time the stock rights were issued, the stock had a market value of \$30, not including the stock rights. Each stock right had a market value of \$3. The market value of the stock rights was thus less than 15% of the market value of the stock and the investor could ~~choose~~ choose to divide the basis of the stock between the stock and the stock rights. The basis for the underlying stock and the stock rights would be as follows:

Please amend page 31, line 16 of the application as follows:

10 stock rights x \$7 = \$70, market value of stock rights

Please amend page 31, line 17 of the application as follows:

$(\$7,000/\$7,070) \times \$5,500 = \$5,445.39$ \$5,445.54, new basis of underlining stock

Please amend page 31, line 18 of the application as follows:

$$(\cancel{\$70/\$7,050}) (\$70/\$7,070) \times \$5,500 = \$54.61 \text{ } \$54.46$$

Please amend page 31, line 19 – page 32, line 2 of the application as follows:

Table 400 could also be ~~sued~~ used to store a list of convertible securities. The cost basis and holding period of convertible securities can be calculated the same way as other securities, from the day after the purchase trade date if the security is not converted. If a convertible bond is purchased and later converted into another security, the system may adjust the cost basis and holding period of the new security depending upon whether or not money was paid to ~~effect~~ affect the conversion.

Please amend page 32, lines 3-9 of the application as follows:

If capital is not needed to ~~effect~~ affect the conversion, the system may automatically adjust the cost basis and the holding period of the new security to begin on the day after the original convertible security was purchased. If capital were paid to ~~effect~~ affect the change, the system could adjust the cost basis and holding period for the portion of the newly acquired security attributable to the additional payment that began on the day after the payment. For the portion not attributable to the additional payment, the cost basis and holding period would begin on the day after the trade date on which the original convertible security was purchased.

Please amend page 34, lines 5-10 of the application as follows:

In the Single category method, the system may automatically find the average cost of all shares owned at the time of each disposition, regardless of how long the investor ~~owed~~ owned them. The system may then determine capital gain or loss based on the holding period. Shares disposed of are considered to be those acquired first. The system could add the cost of all the

shares owned (determined by the offer price), divide by the number of shares owned to determine an average basis per share.

Please amend page 34, lines 11-14 of the application as follows:

In the Double category method, all shares in an account at the time of each disposition are divided into two categories, short-term and long-term. The system may then identify shares held for one year or less as short-term. Shares held longer than one year[,] may be identified as long-term. The process can determine the basis of each share as an average basis in that category.

Please amend page 35, lines 4-10 of the application as follows:

The screen output screen shown in Figure 13 displays three alternative cost basis methods[;]: cost basis per share based on closing price, average high and low price and opening price. These alternatives are preferably made available to accommodate the user's option of selecting the most favorable tax treatment as permissible by the Internal Revenue Service. It will be understood by those skilled in the art that these alternative cost basis methods are implemented using similar calculation processes (described below)[,]; however, each method may use a different set of price information for making calculations.

Please amend page 35, line 20 – page 36, line 3 of the application as follows:

Although the presently preferred interface between the system and a user is a graphical user interface, the present invention may be implemented in a batch process, such that a list of investments, and associated information, is presented to the system, allowing present basis determinations to be made on the list. Alternately, the present invention and process may be implemented in ~~spread-sheet~~ spreadsheet fashion, with information provided to the system being provided in the form of a spreadsheet, such that revision of the data provided to the system via the spreadsheet causes the resultant basis determinations to be updated based upon the revision.